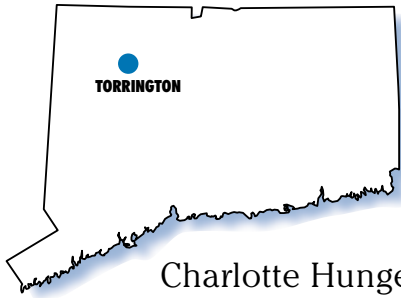


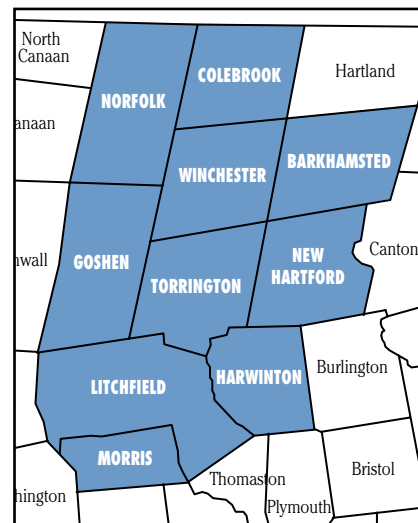
## CHARLOTTE HUNGERFORD HOSPITAL

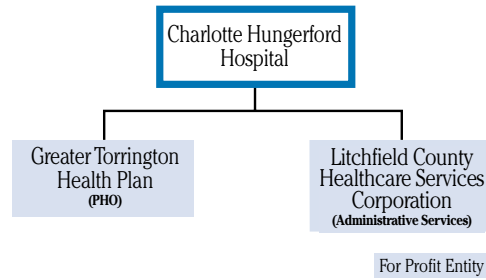
The Charlotte Hungerford Hospital, founded in 1916, is located in Torrington and, in addition to that town, primarily serves nine other Litchfield County towns. In FY 1999, it



staffed 109 of 122 licensed beds and employed 773 Full Time Equivalents. It has its own physician health organization, the Greater Torrington Health Plan.

Charlotte Hungerford is an affiliate of Hartford Health Care Corporation. In 1997, the hospital leased the former Winsted Hospital and converted it into an outpatient health center. The hospital's average age of plant is 8.7 years as compared to the U.S. average of 9.2 years.





MARGINS	1997	1998	1999
Total margin	7.32%	5.07%	-0.86%
Operating margin	1.18%	1.09%	-6.66%

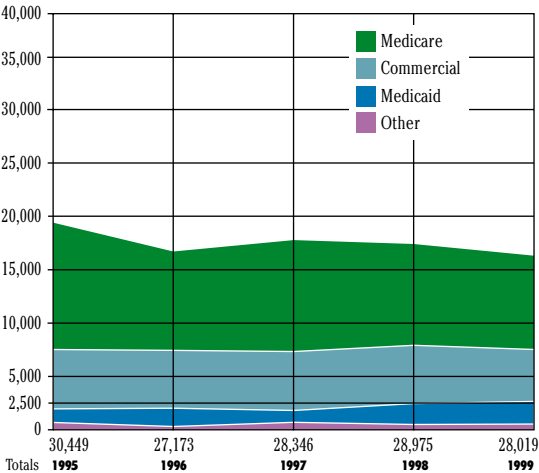
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.62	.62	.65
Medicare Payment to Cost	.97	.97	.92
Medicaid Payment to Cost	.93	.63	.62
Private Payment to Cost	1.19	1.21	1.08
Uncompensated Care Cost	\$1,471,455	\$1,491,171	\$1,907,880
Total expenses	\$58,563,395	\$52,394,391	\$67,551,361
Uncompensated care % of total expenses	2.51%	2.39%	2.82%

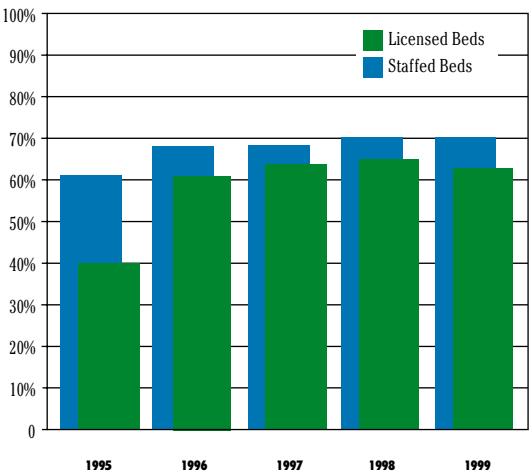
CAPITAL STRUCTURE RATIOS			
Equity financing ratio	60.90%	58.54%	58.75%
Debt service coverage	4.65	4.75	1.58

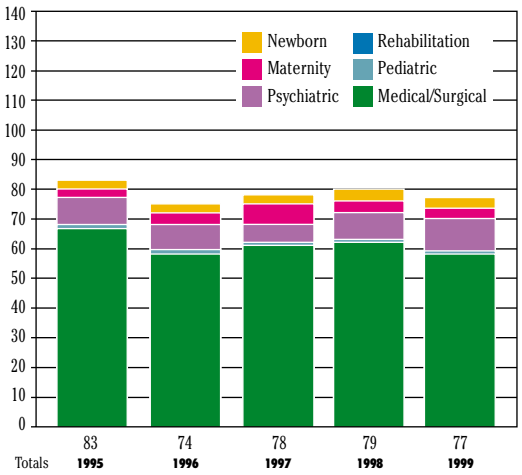
LIQUIDITY MEASURES			
Days of expenses in accounts payable	75.23	78.33	50.89
Days cash on hand	41.18	21.48	10.82
Days of revenue in accounts receivable	58.43	64.35	56.03



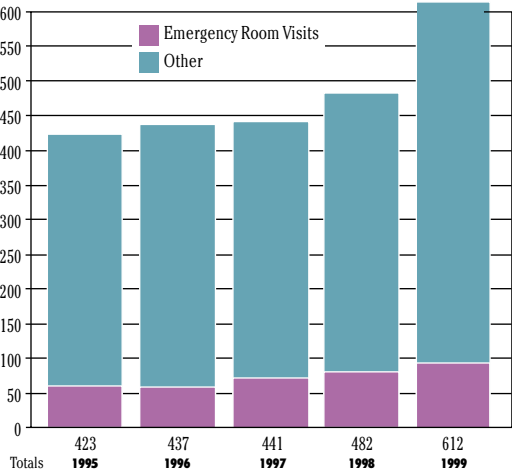
PATIENT DAYS BY PAYER



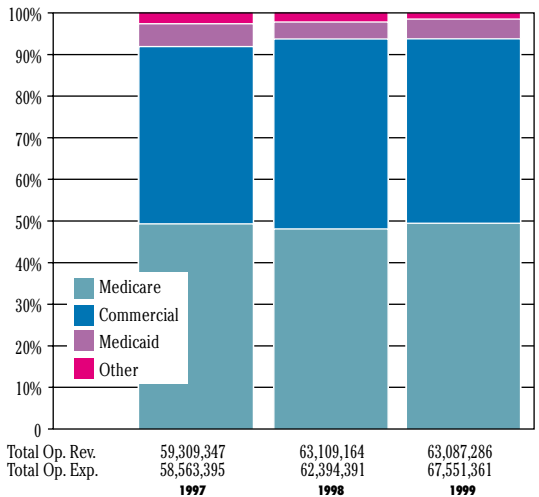
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

## KEY PERFORMANCE DRIVERS

- ◆ During the 1990s, the Charlotte Hungerford underwent extensive renovations to the physical plant to modernize the facility, affecting capital, depreciation, and other related expenses.
- ◆ Charlotte Hungerford leased the former Winsted Hospital for conversion to the Winsted Health Center in 1997. This center now focuses solely on ambulatory services. The hospital further expanded outpatient services to ten off-site locations.
- ◆ In 1999, all payers (Medicare, Medicaid, and Commercial) were reimbursing the hospital at less than cost.
- ◆ The hospital underwent a massive cost reduction effort in the fall of 1999. In addition to reengineering services and focusing on cash flow management, the hospital's management staff was downsized from 45 to 15 persons.
- ◆ Charlotte Hungerford captures a high percentage of acute care volume in its service area. The hospital's closest competitors are Sharon Hospital, located 45 minutes away, and Waterbury Hospital and St. Mary's Hospital, approximately 25 minutes away in Waterbury.
- ◆ The threat of physician competition is significant. While physicians have yet to develop competing health care facilities, several are planning to establish a surgery center.

## SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

**Patient Care Volumes.** Charlotte Hungerford has maintained steady inpatient volumes. Outpatient visits have increased dramatically, largely as a result of the Winsted Health Center.

**Reimbursement Levels.** Low Medicaid reimbursement and the negative impact of the Balanced Budget Act of 1997 on Medicare payments were significant factors driving Charlotte Hungerford's operating losses in 1999. Despite steady volumes, patient service revenue declined \$2 million. Increasing commercial payment levels and implementing cost reduction initiatives will be important to restoring margins.

**Sharon Hospital.** Charlotte Hungerford's proximity to Sharon Hospital makes the future of Sharon a growing concern for Hungerford's management. An acquisition of the hospital by a for-profit company may further increase competition in the area.

**Workforce Issues.** The impact on staff of the recent reengineering process, combined with staffing shortages, has led hospital's management to be concerned about employee morale.